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SUBJECT: AUSTRALIAN PM RUDD "VERY HAPPY" WITH G20 MEETING
OUTCOME

Classified By: ECON COUNS E KAGAN, REASONS 1.4 B, D

¶1. (S/NF) Summary: Prime Minister Kevin Rudd is "very happy" with the outcome of the G-20 meeting in London. He sees U.S. action on toxic banking assets as a major step forward and appreciates U.S. efforts to ensure a positive outcome in London. Rudd praised the President for offering to host another G-20 leaders meeting in September and for committing to discuss trade at that meeting. Rudd sees the G-7/G-8 as being "on its last legs." End summary.

¶2. (S/NF) Gordon DeBrouwer, Deputy Secretary for Economic Issues at the Department of Prime Minister and Cabinet who was very involved in G-20 preparation (he was formerly responsible for G-20 issues at the Australian Treasury) told us that PM Rudd was very happy with the results of the G-20 meeting in London as well as his earlier discussions in Washington. DeBrouwer said that Rudd sees the U.S. action on toxic banking assets as a major step forward. The G-20 agreement on expanding resources available to the IMF and other organizations, as well as on the future direction of financial system reform and regulation was a very significant achievement. DeBrouwer said Rudd was particularly impressed with the U.S. effort to ensure a positive outcome, including the President's offer to host another G-20 leaders meeting in September. Rudd was delighted that the President specifically noted that trade would be one of the issues discussed at this meeting, according to DeBrouwer, both because it reflects U.S. understanding of the importance of using the G-20 forum to hold leaders' feet to the fire on trade as well as because it shows the President's willingness to take the lead on a very difficult and controversial issue.

¶3. (S/NF) Rudd told his delegation on the flight back to Australia that this offer reassured him and other leaders of the President's commitment to supporting trade and his understanding of the vital symbolic role of public U.S. efforts to promote progress on trade. According to DeBrouwer, Rudd commented that the President is one of the "handful" of G-20 leaders who "really understands" the economic issues at stake, expressing disappointment that too many other leaders still do not personally understand the problems or possible solutions. DeBrouwer commented that Rudd was impressed that the President "listens to his experts, but doesn't just read his points - he takes the time to understand the issues." DeBrouwer suggested that this is very much how Rudd sees himself, adding that the PM has no higher praise than describing someone as being like him.

¶4. (S/NF) DeBrouwer said that Rudd was very relieved that no one took him up on the offer to host the next G-20 leaders meeting. Rudd recognized that this would not be particularly

well received and would almost certainly lead to domestic political criticism. The offer was made to avoid a situation where no decision was made about the next leaders meeting simply because no one offered to host. Having the United States host the next meeting is a great outcome from Rudd's perspective, according to DeBrouwer.

¶5. (S/NF) DeBrouwer said Rudd left the G-20 meeting feeling Q5. (S/NF) DeBrouwer said Rudd left the G-20 meeting feeling that the G-7/8 is "on its last legs." The PM expressed surprise at the "unhelpful" attitude of the Europeans, telling his staff that "they just don't understand what is at stake." DeBrouwer said Australia's impression is that the Italians "are living down to their reputation" in organizing the next G-7/8 meetings.

¶6. (SBU) Michael Callaghan, the GOA's International Special Envoy at Treasury, told the diplomatic corps at an official briefing that Australia saw the G-20 meeting as a "very successful summit." Walking through the outcomes in some detail, Callaghan's comments were consistent with what DeBrouwer told embassy in private. Callaghan said the London meeting and the pre-meeting work have shown the G-20 is valuable in being able to deal with the global financial crisis; the G-20 is "delivering the global responses needed." Specifically, Callaghan said Australia believed the G-20 meeting made appreciable progress towards strengthening the financial system's regulatory framework. The commitment of G-20 members to fiscal efforts to return to trend growth was important, and the commitment to reform the IFIs Callaghan said was a "reason to be" for the G-20. Asked by one diplomat whether the G-20 presaged the demise of the G-8, Callaghan sidestepped, saying he was here to discuss the advantages of the G-20, and had no further comment.

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